

# PRIVATE ACTIVITY BOND ALLOCATION

## “TAX EXEMPT” BOND CAP

### MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

#### PURPOSE

Provides lower-interest financing for certain types of projects.

#### AUTHORIZATION

Internal Revenue Code of 1986, as amended,  
Codified at 26 U.S.C. §§ 141 to 150  
Sections 108.500 to 108.532, RSMo

#### HOW THE PROGRAM WORKS

The federal tax code authorizes each state an allocation of tax-exempt bond cap. The amount is based upon the state’s population in the preceding year.

In Missouri, the Department of Economic Development has the authority to allocate the tax-exempt cap to projects.

Because there is no tax on interest earned by the holders of tax-exempt bonds, the interest rate is typically lower than conventional financing, including taxable bonds.

#### ELIGIBLE AREAS

Statewide.

#### ELIGIBLE APPLICANTS

Include certain state agencies, cities, counties and industrial development authorities.

#### ELIGIBLE PROJECTS

- ✓ Details about eligible bonds are in the federal tax code. It is very important that determinations of eligibility be made only after consulting the applicable federal law.
- ✓ For general informational purposes, the types of projects for which tax-exempt bond cap may be allocated include:
- ✓ Multi-family and/or elderly rental housing for low income residents (MFH);
- ✓ Small manufacturing facilities;
- ✓ First-time farmers;
- ✓ “Utility” projects, including water, sewer, electric and gas;

- ✓ Bonds issued to finance student loans; and
- ✓ Bonds issued to provide loans for home ownership.

#### APPLICATION PROCEDURE

- ✓ Once the issuing entity has passed an inducement resolution, an application is submitted to the department. Applications are accepted year-round.
- ✓ An application fee made payable to the Missouri Economic Development Advancement Fund is due at the time the application is submitted:
  - ✓ \$250.00 for allocation requests up to \$5 million
  - ✓ \$500.00 for allocation requests between \$5 million and \$10 million
  - ✓ \$1,000.00 for allocation requests over \$10 million
- ✓ For IRB projects only, a copy of the local IDA application must be submitted with the application.
- ✓ A “hold letter” is typically issued pending a decision by the department.
- ✓ For MFH projects:
  - ✓ A referral is made to the Missouri Housing Development Commission (MHDC) for a review and recommendation on the project.
  - ✓ If necessary a meeting is scheduled by the issuer/beneficiary with the department to discuss the project.
- ✓ For IRB projects:
  - ✓ An approval letter is issued if appropriate.
  - ✓ The IDA/Issuer notifies DED when they are ready for the allocation letter.
- ✓ A meeting is scheduled by the issuer/beneficiary with the department to discuss the project.
- ✓ A decision is made on a case-by-case basis.
- ✓ An allocation letter is issued if appropriate.
- ✓ The allocation is good for 60 days from the date of the letter. A 30 day extension can be granted.
- ✓ Upon issuance of the bonds, the issuer must notify the department both by telephone (no later than the next business day) and submit a

report of issuance by overnight courier or certified mail (no later than five calendar days from issuance). Annual activity reports must be filed no later than January 31<sup>st</sup> of the following year.

- ✓ An issuance fee made payable to the Missouri Economic Development Advancement Fund is due and payable at closing and remitted to DED within 30 days:
  - ✓ For an issuance up to \$2 million: 5 basis points (amount x .05%)
  - ✓ For an issuance over \$2 million: 10 basis points (amount x .10%)

## FUNDING LIMITS

- ✓ Missouri's cap for 2006 is \$464,024,800.00

## CONTACT



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Finance Management

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## ADDITIONAL RESOURCES

Go to the department's home page at [www.missouridevelopment.org](http://www.missouridevelopment.org) for Private Activity Bond Allocation forms as well as information regarding Missouri's many other economic development programs and policies.

## Missouri Development Finance Board

- ✓ MDFB is one statewide issuer of various types of tax-exempt bonds, including some for small manufacturing facility projects. Additional information about the programs and services provided by MDFB can be found at [www.mdfb.org](http://www.mdfb.org).

## Missouri Housing Development Commission

- ✓ MHDC receives bond cap for its "Mortgage Revenue Bond Program", in which the Commission partners with participating lenders to offer eligible first-time homebuyers lower interest rates.

- ✓ MHDC is also an issuer for some MFH projects, and has several other programs directed toward the rehabilitation or development of affordable housing in Missouri.
- ✓ For more information about the programs and services provided by MHDC, visit their web site at [www.mhdc.com](http://www.mhdc.com).

## Missouri Higher Education Loan Authority

- ✓ MOHELA typically receives bond cap. The savings from the tax-exempt bond financing helps allow the Authority to offer benefits such as reduced interest rates in its Rate Relief and Public Service Reward programs. MOHELA's web site is [www.mohela.com](http://www.mohela.com).

## Missouri Agricultural and Small Business Development Authority

- ✓ The Authority receives bond cap to underwrite loans to first time farmers for acquisition of land, equipment or breeding livestock. Visit its web site at [www.mda.mo.gov](http://www.mda.mo.gov) for more information on the "Beginning Farmer Loan Program."

## Environmental Improvement and Energy Resources Authority

- ✓ EIARA is a statewide issuer for some energy and environmental projects. Visit its web site at [www.dnr.mo.gov/eiera](http://www.dnr.mo.gov/eiera) for more information.

## Local Entities

- ✓ There are many local entities, such as industrial development authorities, that can issue tax-exempt bonds as well. Contact the city government of the location of your proposed project for more information.